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CONTRIBUTIONS OF AGRICULTURAL POLICIES TO GENERAL ECONOMIC GROWTH[1/]

by
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I

Current economic literature is full of discussions of "general economic growth," "economic development," or "sustained economic progress." The title of our paper mentions growth. Dr. Joseph S. Davis has pointed out to us that growth and progress are not synonymous--that we could grow without progressing. We shall assume that our policies should be designed to promote both growth and progress. More specifically, we suggest three goals: (1) an increase in the per capita output of goods and services, (2) a reasonably steady rate of increase (i.e. with no serious booms nor depressions), and (3) an improvement in levels of living shared by all groups in our population.

There is virtually universal agreement on these goals. But there is not full agreement as to how to reach them. True, most economists now agree that we need some sort of positive economic program. They are not satisifed with a mechanical extrapolation of the Gross National Product to show what remarkable gains could be made in 10, 20, or 50 years. They want to know what programs and policies are likely to be most effective in reaching the goals. In the present state of economic knowledge, there is room for honest differences of judgment on this point.

For example, Dr. Arthur F. Burns[2/] states:

> "Today it is no longer a matter of serious controversy whether the government should play a positive role in helping to maintain a high level of economic activity. Men and women in all walks of life, and in both of our political parties, now generally agree that economic storms of inflation and depression must not be left to run their own course. What we debate nowadays is not the need for controlling business cycles, but rather the nature of governmental action, its timing, and its extent. Even on these matters we have won greater agreement than seemed likely only a short time ago.

1/ The views expressed in this paper are those of the authors.
2/ Arthur F. Burns, "What is the Role of Government in Moderating Business Fluctuations?" Address before the Economic Club of Detroit, Oct. 18, 1954.

One of the areas needing clarification is that of agricultural policy. To some "agricultural fundamentalists" farm policy is the key to general economic policy. At the other extreme, we sometimes hear it said that agricultural policy has little to contribute to sustained economic progress. We disagree with both of these extreme views. We believe that agricultural policy can contribute (and has contributed) significantly to general economic growth.

Our purpose today is not to exaggerate the importance of farm policy. We doubtless need a well-rounded set of policies for national economic growth. The agricultural policies are only one part of the whole, but we think they are by no means an unimportant part.

II

We have already remarked that economists are not satisfied with mechanical projections of output and consumption. Yet such projections give us a useful start in studying problems of growth.

It is perhaps worth noting here that, over a period of many years, economists in the Department of Agriculture have given considerable attention to long-range projections of agricultural output and consumption. The 1921 Yearbook of Agriculture contains a report by L. C. Gray, O. E. Baker and others, entitled "Utilization of Our Lands for Crops, Pasture, and Forests." In this study, the authors projected land requirements in the United States to around 1950, using a population estimate of about 150 million people and alternative assumptions as to per capita consumption and crop yields. In 1940, an Inter-bureau Committee and the Bureau of Agricultural Economics published a report, "Technology on the Farm, which not only attempted to appraise the effects of advancing technology on agriculture, but also the implications of technological developments in agriculture on the national economy. Unfrotunately, the existence of a high level of apparently chronic unemployment prevented many of the findings of this report from resulting in positive recommendations that would promote general economic growth. In fact, this report somewhat wistfully states that "in our consideration of problems and remedies, we should not assume that industrial expansion...has ceased for all time." The approaching end of World War II brought renewal of interest in long-range prospects for agriculture.

In 1945, the Bureau of Agricultural Economics published a series of bulletins entitled, What Peace Can Mean to American Farmers. The first of these, "Postwar Agriculture and Employment," described economic conditions likely to be associated with various levels of employment during the postwar years, and indicated probable effects of these different levels on farm output and on prices and incomes received by farmers.

The so-called "Hope Report", prepared by the Bureau of Agricultural Economics for the House of Representatives Committee on Agriculture in 1948, attempted to evaluate the economic position of agriculture some 15 to 25 years ahead, in the expectation that this period could be characterized by a relatively stable peace, increasing economic stability, and expanding foreign trade and investment. Other reports gave attention to special

phases of the long-term prospects for American agriculture. Perhaps the most familiar of these is Dr. Sherman E. Johnson's Changes in American Farming, published in 1949, which analyzed the prospective long-run changes in agricultural production, and discussed their implication for costs, returns, and production adjustments.

In all studies of this type the focus of attention has been on the impact of long-run economic and technological changes on agriculture. The policy implications have been in such terms as the types of national economic policies that would contribute to expanding and sustaining the demand for farm products, and those that would provide the maximum assistance to agriculture in making adjustments to prospective long-run changes in the demand for its products. The problem to which we address ourselves in this paper represents the other side of the coin. We are considering agriculture not as a relatively passive segment of the economy, which must adjust itself to the changes implicit in the general growth of the economy, but rather as an active segment, with causal relations also running from agriculture to the rest of the economy in terms of long-run growth.

This second approach poses a much more difficult analytic problem than the first, and the definitive analyses in this area are yet to be done. This, however, is true of the study of economic growth in general. It is a field which people are still trying to define with precision, and one which is characterized by tentative hypotheses, preliminary probings, and modest conclusions. 3/

III

In order to talk about the contributions that agricultural policies might make to general economic growth, it is necessary to have some notion of the factors which determine that growth. We will not attempt to provide a catalog of such factors ourselves, but we think that the Economic Report of the President, transmitted to the Congress in January 1954, furnishes some useful guides. Under the heading, "Conditions of Progress," eight major factors are listed. These are (1) individual freedom; (2) adequate economic incentives; (3) open markets and effective competition; (4) adequate savings and capital formation; (5) a growing fund of scientific and technical knowledge; (6) maintenance of economic stability; (7) a floor of security for the individual; and (8) extension and strengthening of economic ties with the rest of the world. It should be noted that these conditions do not appear automatically in our society, but call for positive Government policy in every instance.

Each of us would doubtless want to make some amendments to the foregoing list, and we are inclined to add two further conditions frequently found in discussions of factors affecting economic growth, namely, the natural resources of the Nation, and the health, education, and skill of

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3/ For a general discussion of the scope and content of the field, see Universities-National Bureau Committee on Economic Research, "Problems in the Study of Economic Growth," (mimeograph), National Bureau of Economic Research, New York, 1949. This report contains essays by Simon Kuznets, J. M. Clark, J. J. Spengler, and E. M. Hoover.

its population. Assuming that this amended list does provide an acceptable starting point for the succeeding discussion, our next task is to classify agricultural policies in such a manner that their implications can be discussed in terms of the determinants of national economic growth.

In order to reduce our discussion to manageable proportions, it is necessary to consolidate a number of related policies under very broad headings. For the purposes of this paper, we will discuss four broad groups of agricultural policies: (1) increasing the efficiency of production and marketing; (2) stabilizing farm prices and incomes; (3) increasing domestic consumption of farm products; (4) improving the economic position of low-income farmers and other disadvantaged groups in agriculture.

IV

Under policies designed to increase efficiency, we are including a large number of things, most of which would be designated as separate policies in other contexts. We are including such broad policies as those having to do with soil conservation and agricultural credit; research that has given us better groups and livestock; improved machinery and farm practices; the application of production economics to the problems of most profitable organization of farm enterprises; research in the efficiency of processing and marketing; and the whole educational and extension effort that has gone into bringing the fruits of research in the physical and social sciences to the individual farmer.

It is in this area that the connection between agricultural policies and general economic growth is most obvious, and it is also the area where there is likely to be the largest degree of assent concerning a beneficial connection between the two. The long-time increase in agricultural production has provided the Nation with abundant food supplies, which have been a material factor in the general health of the population. 4/

Furthermore, these supplies have been produced by a decreasing number of farmers, as a consequence of which there has been a steady release of high-grade workers to the non-agricultural labor force. It should perhaps be noted here that, in addition to this release of workers due to increasing productivity, there has been a continued natural increase in the farm population, with large numbers of farm youth reaching working age moving directly into other occupations. During the period from 1940 to 1950, the non-agricultural labor force rose by about 14 million people. Statistics suggest that over half of this was supplied by migration from the farm population. The productivity of agriculture has also provided the bulk of our export purchasing power during certain earlier periods, and has furnished great supplies of food for ourselves and our Allies during two major wars and critical postwar periods.

4/ It has been estimated that from 1910-14 to 1947-50, there was a 77 percent increase in total U. S. food consumption. See Harold F. Breimyer, "Sources of Our Increasing Food Supply," J.F.E., May 1954, pp. 228-242.

Returning to our list of factors determining economic growth, it is apparent that these policies of encouraging efficient production and marketing are most closely related to the natural resources of the Nation, the health, education, and skill of its population, and a growing fund of scientific and technical knowledge.

In terms of long-time economic growth, it would appear that we should continue those policies which enhance the productive efficiency of agriculture. It may well be, however, that changes in emphasis are desirable. Dr. Sherman Johnson, for example, has suggested that we should redirect our programs in the production area toward ways of achieving production balance and discovering ways of reducing costs without increasing output. 5/ The objectives here would be to reduce pressure for immediate increases in output and to build up reserve capacity for expansion to take care of the gradual long-time growth of the market.

If we look ahead some 10 to 20 years, it seems quite evident that agriculture may well produce all we can sell in this country at satisfactory prices. But if we take an even longer look ahead, it may well be that the production job will turn out to be somewhat more difficult than for the immediate future. We may, therefore, be well advised to give increasingly greater emphasis to the protection of future resources.

We have said very little about improving the efficiency of the agricultural marketing system as such. This is because we believe that the contribution made to general economic growth by increases in efficiency are of the same character, whether they occur on the farm or in the distribution system. With continued increase in the outlays required by the marketing function, relative to returns to farmers, it is not surprising that the resources devoted to improving the efficiency of marketing have been expanded greatly in recent years. However, about four-fifths of the total research money of the USDA and the State Agricultural Experiment Stations still goes to research that directly aids farm production. 6/

We recognize, of course, that part of the increase in the marketing portion of the national food bill is due to increased demands by consumers for improvements in processing and for more services in conjunction with the food itself. It is also true, however, that part of the increased marketing bill is due to various types of increases in costs not necessarily associated with product and service improvement. We believe that there are possibilities for real improvements in the efficiency of the marketing system. To the extent that they are realized, such improvements would not only aid agriculture, but would mean better final products at lower cost, a result which would contribute directly to long-run economic growth.

V

In contrast to the policies relating to efficiency in production and

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5/ See "Long-Term Price Outlook and Agriculture," "Discussion From the Standpoint of Farm Supplies," J.F.E., December 1954, pp. 799-801.
6/ See Ronald L. Mighell, American Agriculture, New York, 1955, p. 130.

marketing, those in the second group -- stabilizing farm prices and incomes -- are more difficult to evaluate in relation to economic growth. They also represent an area of much greater disagreement. The maintenance of economic stability is now generally accepted as being one of the conditions of economic growth, and the responsibilities of Government for maintaining this stability are also widely recognized. The Employment Act of 1946 specifically declares the Federal Government's responsibility "to promote maximum employment, production, and purchasing power." For this purpose, the Federal Government possesses powerful weapons. The Economic Report of the President referred to above, specifically mentions credit controls of the Federal Reserve System, debt management policies of the Treasury, flexibility in the administration of the Federal budget, changes in the tax structure, public works, and agricultural supports.

Since the farm economy is characterized by marked instability of prices and incomes, which have often been low in relation to nonfarm prices and incomes, it hardly is surprising that there have been persistent efforts to stabilize and raise prices and incomes received by farmers. The discussion in this part of our paper is focused on the stability problem, rather than on the problem of desirable relationships between farm and nonfarm prices and incomes. Unfortunately, as we all know, price and income stability in agriculture is difficult to achieve, and even when it has been approximated, has often been accompanied by undesirable consequences, such as the excessive accumulation of surpluses and the necessity for controls on output. As a result of such difficulties, agricultural economists have engaged in continuous debates over such issues as rigid versus flexible supports, high versus stop-loss support levels, price supports verus direct payments to farmers, and the like. This paper is not the place to carry on that particular debate.

Our specific concern here is with the more general problem of the extent to which price and income stabilization programs for agriculture can contribute to the stability of the economy as a whole, and hence to general economic growth. Some economists apparently believe that agriculture is an almost completely passive sector of the economy, with hardly any chain of economic causation running from the level of farm output and income to the general level of economic activity. Those who hold this view tend to seek stability through general monetary or fiscal policies, or those that are directdd toward maintaining business investment and labor income. They would argue that measures to promote agricultural stability can contribute little to general stability.

We agree with this point of view. Rather, we agree with Nourse 7/ that "the industrial sector of the economy can suffer unstabilizing jolts from a badly managed or incorrectly directed agriculture quite as truly as agriculture can be rocked by industrial disturbances." In our opinion, a sound agricultural policy can contribute substantially to general prosperity.

We know of no way to measure precisely how much agricultural programs could contribute to general prosperity. One approach is that of setting

7/ E. G. Nourse, "Agriculture in a Stabilized Economy," J.F.E., February 1949, p. 202.

up an economic model, which appears to be reasonably realistic, and testing what would be expected to happen, with or without a support program. A noteworthy effort of this kind is a recent paper by Karl Fox. 8/ Projecting a hypothetically severe recession of two years' duration, Fox made quantitavie estimates of the effect of the existing price support program on a number of economic magnitudes. He concluded that that program "might reduce the drift in the general retail price level by as much as 30 percent; it might reduce the decline in GNP and disposable personal income by something like 10 percent; and it would reduce the drop in farm prices (which it is specifically set up to do) by 50 percent relative to the level which would be expected in the absence of a price support program." This analysis is supplemented by similar estimates of the effects of alternative farm programs. Fox's analyses support the belief that price and income stability in agriculture would have stabilizing effects on the rest of the economy, but at the same time they indicate considerably more modest results in this direction than many agricultural economists have hopefully assumed. Fox's model is not designed to be more than a first approximation of the effects of farm price support programs on the economy, and, no doubt, he would agree that much more work needs to be done on models of this type before they can supply us with accurate quantititave predictions. But models of this type are a real step forward in helping us to understand the forces at work and kind of influences they exert.

Another way to study this problem is to review what has actually been done under the program. We shall not attempt a full review here, but will simply note a few facts about the program since the end of World War II. In this period there have been two minor (but general) recessions: in 1948-49 and in 1953-54. The farm-price-support program was one of several factors that kept these recessions from becoming more severe. In both cases, the drop in farm prices preceded the decline in general employment, production, and incomes. In both cases the crop-loan and purchase programs slowed up the drop in farm prices and in farm purchasing power. The CCC investments in farm products increased 3.3 billion dollars from June 30, 1948 to June 30, 1950. They increased 4.4 billion dollars from June 30, 1951 to June 30, 1954.

Not only did these programs pump additional purchasing power into the economy during periods of slack, they also held down prices and incomes in periods of inflation. Thus, from June 30, 1950 to June 30, 1951, the CCC investments were reduced by 1.3 billion dollars. The liquidation of Government stocks at this time was one of the most effective checks to swiftly rising prices.

Frankly, we are not able to measure how much these changes in farm-support programs affected non-agricultural employment, production, and incomes. But we think it is evident that major postwar changes in the program helped, rather than hindered, stability in the general economy. Of course, we are now left with a number of surpluses which are causing trouble. This may be due to a natural reluctance to reduce production

8/ Karl Fox, "The Contribution of Farm Price Support Programs to General Economic Stability" Universities-National Bureau Committee for Economic Research, Mimeo., April 5, 1954.

and support levels promptly enough, rather than to any basic unsoundness in the concept of price supports.

Occasionally, we hear someone say that farm programs are inefficient measures for attaining general stability -- that we should, instead, rely upon fiscal and monetary programs. But any program under which the Government collects or spends money is a fiscal program in some degree. The price-support-storage program is a fiscal program -- just as the highway program is a fiscal program. Many fiscal programs can contribute to economic stability. Unlike monetary and credit measures, most Government spending is discriminatory -- affecting various segments of the economy differently. Specific fiscal programs in such fields as public works, unemployment benefits, and farm supports can, if wisely administered, attack specific areas of instability, which more general measures are incapable of doing.

This point of view is well expressed in a recent book by Maurice W. Lee 9/ who writes:

> "By means of appropriate adjustments in genernment expenditure and tax policies and through relaxations in general credit controls, the monetary and fiscal authorities may set in motion the forces necessary to prevent general deflation and yet still find that particular parts of the economy do not respond. Simple considerations of equity for the affected areas would suggest that this is not desirable, but even on grounds of the general public interest there must be grave concern about such a situation. For at various times in the past, as we have seen in our historical analysis of business cycle experience, the continued deflationary tendencies of single parts of the economy have ultimately generated forces which impelled the total economy on the same deflationary road.
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> "The agricultural segment provides a case in point. It will be recalled that the general prosperity which followed World War I did not extend to the agricultural areas of the economy. There are numerous students who feel that the continued drag exerted by deflated purchasing power in the agricultural parts of the population produced distortions and strains in the economy which contributed materially to the severity of the Great Depression which followed."

The relation between agricultural stability and general economic stability is a very complex thing. Other relationships besides direct multiplier effects of farm income on total national income are involved. For example, in the preceding section, we stressed the contribution of increasing agricultural productivity to general economic growth. But there are also connections between agricultural incomes and productivity. Can anyone doubt that the great productive spurt that has taken place in agriculture during the last 15 years has had a direct connection with the

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9/ Economic Fluctuations, by Maurice W. Lee, Richard D. Irwin, Inc., Homewood, Ill., 1955, p. 508.

favorable prices and incomes received by farmers during most of that period? For the first time in a very long period, farmers have enough liquid assets to enable them to make large purchases of farm equipment, fertilizers, insecticides, and the like. Here, it may be noted, there is a tie back to the growth determinant of adequate economic incentives.

We believe, then, that policies which promote the stability of agriculture do contribute to general stability and to general economic growth. Furthermore, this contribution does not have to be extremely large in order to be important. If we were to examine contributions to stability stemming from other individual elements such as social security payments, shifts in the tax structure, and the like, we would probably find that the contribution of each is a relatively modest one. Each element by itself may not be decisive, but taken together, they are.

We might add that there is not much likelihood that such efforts will be discontinued. As we witness continuing efforts to introduce stability into the incomes of nonfarm groups through such devices as expanded unemployment compensation, raising of minimum wages, and the guaranteed annual wage, it is difficult for us to envision any overwhelming grass-roots demand for increased instability of farm prices and incomes. The demands for stable returns to agriculture will continue. And we believe this demand is justified--not only as a means of helping farmers, but also as a means of contributing to general economic growth. It is incumbent upon us as agricultural economists to continue our efforts to develop and suggest policies that will not only reduce instability in agriculture, but which will also be truly conducive to national economic growth, and will be relatively free from undesirable side effects, such as undisposable surpluses, detailed restrictions on output, and checking the movement of excess agricultural workers into the non-agricultural labor force.

VI

Many Governmental policies and programs affect the consumption of farm products.

Research in nutrition and related subjects has greatly affected the demands for food, clothing, tobacco, and other goods originating on the farm. It has doubtless benefited consumers fully as much as farmers. The general public has also benefited from such service programs as market news, grading and inspection. It has been protected by pure food laws and by various regulations designed to prevent price manipulation. To us it seems unfortunate that many people think of the Department of Agriculture as a Farmers' Department, watching out only for the special interests of the farmers, with little or no concern for the public interest.

This has never been the case, and we hope it never will be the case.[10/]

In the past year or so, increasing attention has been given to market development, at home and abroad. Serious efforts are being made to find new markets, and to enlarge existing markets. We do not refer here to "give away programs" or to subsidies. Rather, we have in mind expanded efforts to meet consumer wants, needs, and preferences, based on wider research knowledge; and of the search for feasible ways to supply potential markets through private industry. Many agricultural economicsts have been rather skeptical of promotional and developmental programs. Yet large sums of money are being spent by the food trades for this purpose. Economists can do a real service by investigating possibilities of spending that money in ways that will not only be profitable to a particular group of farmers or dealers, but will expand the farmers' total market and raise the level of living of consumers.

Food subsidies have always been a controversial subject. We include here the school lunch and school milk programs, institutional feeding, direct distribution of food to low-income families through State welfare agencies, the former food stamp plan, and related programs through which the Government pays part of the cost of supplying food to some group of people.

We shall not take the space here to discuss these programs in detail. The controversies center usually about the question of how much attention should be given to nutrition, and how much to surplus disposal. These programs have always kept both objectives in mind--and we think that they always should do so. Actually, there is seldom any real conflict in the two objectives. When there is, we would give first attention to nutrition. But surplus dairy and poultry products, meats, fruits and vegetables would help the diets of most low-income people. When there are surpluses of these foods, both low-income families and farmers can benefit substantially from an effective program to help low-income families consume the surpluses.

We believe that the school lunch program should be expanded. We also believe that serious study should be given to possible improvements in the distribution of surplus foods through State welfare agencies. It might well be desirable to try out various forms of food stamp or food allotment programs, operated by private industry, and giving the recipient considerable freedom of choice as to what foods he buys.

Some experience along this line would be invaluable if we should in the future be confronted with another serious national depression with large-scale unemployment.

10/ The 1954 Report of the Secretary of Agriculture quoted from President Lincoln's annual message to the Congress, "The agriculture department.... is peculiarly the peoples' department in which they feel more directly concerned than any other."

VII

In discussing policies to improve the economic position of low-income farmers and other disadvantaged groups in agriculture, we are actually considering policies for dealing with two different, although overlapping, problems. The first of these is the problem of rural poverty. The second is the problem of widespread deficiencies in the amount and quality of community services, such as highways, schools, libraries, and hospitals, available to farm families.

The problems of poverty are not limited to farmers or to rural areas. There are too many people, including sick and aged, with inadequate incomes in all areas and all walks of life.

We defined economic progress so as to include an improvement in levels of living shared by all groups in our population. Much progress has been made along this line during the past generation. Not only has <u>per capita</u> real income risen substantially, but also this increase has been widely shared. <u>11/</u> Yet we have a long way to go before poverty is eliminated, either in the cities or in rural areas.

The problem of rural poverty is a part of the problem of general poverty. It is still important. If we can reduce rural poverty, we will have made a real contribution to economic growth.

Agricultural economists and rural sociologists have long been aware of the problem. They have been interested in many attempts to deal with it. Such programs as rural electrification, credit to improve farming operations, training for nonfarm work, and rural hospitals have generally been received sympathetically. A recent development which may make an important contribution is the extension of the social security program to farmers and to farm workers.

Although programs of this type have helped to alleviate the low-income problem in agriculture, a concerted attack on rural poverty is still required. It is clear that much more needs to be done, and fortunately, some of the best minds in our profession are dealing with these matters.

In the Joint Committee Hearings on the January 1955 <u>Economic Report of the President</u>, Dean Welch and Professor Nicholls gave extensive testimony on problems and policies relating to low-income farmers. Professor Schultz also emphasized this aspect of the farm problem in his testimony. In April of this year, the Department of Agriculture prepared a special report on problems of low-income farmers, entitled "Development

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<u>11/</u> For an interesting analysis of the economic effects of redistribution of incomes, see N. Bronfenbrenner, T. Yamane and C. H. Lee, "A Study in Redistribution and Consumption." Rev. of Econ. Statistics, May 1955, p. 149.

of Agriculture's Human Resources." This was recently transmitted to Congress, accompanied by a message from the President. 12/ The first paragraph of that message states the problem very succinctly:

> "In this wealthiest of nations, where per capita income is the highest in the world, more than one-fourth of the families who live on American farms still have cash incomes of less than $1,000 a year. They neither share fully in our economic and social progress nor contribute as much as they would like and can contribute to the Nation's production of goods and services. 13/

The lines of action that have been proposed to handle this problem are numerous. Secretary of Agriculture Benson has offered a 15-point program, accompanying the President's message. In essence, the elements of the programs sponsored by many individuals and groups can be brought under two headings: (1) improving the earning capacity of those who remain in agriculture, where adequate resources and markets can be arranged; or (2) assisting low-income farmers, and farm youth reaching working age in excess of replacement needs. to find more profitable nonfarm employment, either on a full-time or part-time basis. These programs imply that, even under conditions of substantially full employment, with nonfarm opportunities increasing relative to those in agriculture, direct government action is necessary, to eliminate the existence of what the January 1954 Economic Report of the President describes as "pockets of rural poverty."

We do not think it is necessary to argue very much about the need for a substantial continuing program to aid low-income farmers or to demonstrate a connection between the elimination of rural poverty and general economic growth. If we can maintain a high and stable level of national employment, the operation of the competitive price system will help to bring about the movement of many low-income farmers into more remunerative occupations. But we should recognize that there are limits to what the competitive price system can accomplish, even under conditions of substantially full employment. Despite its great effectiveness in ordering economic affairs, there still remain areas of chronic maladjustment, where direct action is needed to restore the productive power of both natural and human resources. Many of the low-income farm areas are definitely in this category. Until they cease to be such, agriculture will not be making its maximum contribution to the economic growth of the country.

While our main interest is in the levels of living of low-income farmers, we must not forget that all rural families--regardless of income--have ordinarily suffered certain disadvantages. The automobile and the radio have greatly reduced their disadvantages in the field of communications. But still rural families in general are not so well off as urban

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12/ House Document No. 149, "Development of Agriculture's Human Resources," 84th Congress, 1st Session, 1955, contains a reprint of the report itself, the President's Message, and the Secretary of Agriculture's letter of submittal.

13/ These income estimates are for 1950, and do not include non-money income in the form of housing and home-produced food.

families with r spect to roads, schools, and schooling, libraries, and medical care.

Part of our efforts to promote general economic growth should go toward reducing the disparities between rural and urban levels of living. Many economists have spoken about "balanced" economic growth. Balance in economics is difficult to define. We can sometimes point out imbalances. Inventories may be high in relation to orders. We may have a surplus of beans and a shortage of potatoes. Such imbalances are to be deplored. Likewise, it is deplorable when, and if, there are too great disparities between rural and urban levels of living.

It is, of course, difficult to define the proper balance between farm and city levels of living--just as it is hard to get a workable definition of "income parity" for farmers. We recognize, for example, the difficulty of making accurate and fair comparisons between per capita farm income and per capita nonfarm income. But we are suggesting that some undesirable disparities still exist, and that a reduction in such disparities would assist general economic growth. It is especially clear that there are many low-income families on farms and in rural areas. Many of these families do not benefit much from price-support operations, and special programs are needed to help them.

VIII

Our discussion has been centered on the contributions that agricultural policies can make to the economic growth of the Nation. We think these contributions have been substantial and can probably be even greater in the future.

We are not arguing that agricultural programs are the only, nor even the principal means of promoting economic growth. We need an integrated set of economic policies in a number of fields, including money, credit, taxation, international trade, wages, social security, and the like. Our agricultural policies need to be geared in with these others as part of a concerted effort to promote economic growth and stability. They should be designed, not only to help the farmers, but to help all citizens obtain the levels of living which are inherent in our great economic resources.

To do this, the agricultural economist needs to work closely with the general economist, and with economists specializing in such fields as labor, industry, and finance. Within the federal government, this cooperation has been facilitated by the Council of Economic Advisers and by the Joint Committee on the Economic Report.